

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 777 - SB 774

March 22, 2021

SUMMARY OF ORIGINAL BILL: Requires a local education agency's (LEA) Basic Education Program (BEP) calculation for the 2021-22 school year to be equal to the BEP calculation for the 2020-21 school year, if a lower amount of funding is generated for the 2021-22 school year. Requires the Department of Education (DOE) to make BEP calculations and comparisons in funding before making any adjustments to the instructional salaries and wages category of the BEP in each respective year. Establishes that such BEP calculation is to be utilized only for the 2021-22 school year and not subsequent years.

FISCAL IMPACT OF ORIGINAL BILL:

Increase State Expenditures – \$8,906,000/FY21-22

The Governor's proposed budget for FY21-22, on page A-35, recognizes a one-time increase in state expenditures to the General Fund in the amount of \$20,000,000.

SUMMARY OF AMENDMENT (005558): Deletes all language after the enacting clause and rewrites the bill such that the only substantive changes: (1) include the instructional benefits as a category of the BEP which may not be adjusted until DOE compares an LEA's BEP calculation for the 2021-2022 school year with the LEA's BEP calculation for the 2020-2021 school year; and (2) establish applicability only to LEAs that are in full compliance with state attendance and truancy intervention laws.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Unchanged from the original fiscal note.

Assumptions for the bill as amended:

- BEP funding is primarily driven by a school's prior year average daily membership (ADM). The Covid-19 Pandemic has caused LEAs to experience a decrease in ADM in FY20-21.
- This legislation prevents LEAs from receiving less funding due to decreases in ADM in FY21-22 by creating a minimum funding level for LEAs based on their FY20-21 BEP allocation.

- This analysis assumes all applicable schools are in compliance with truancy intervention and attendance laws.
- Re-calculating the BEP using the greater amount generated in FY20-21 for FY21-22 will result in an increase in the state share of the BEP by \$8,906,000 in FY21-22.
- Based on FY20-21 local maintenance of effort levels, BEP local match contributions will increase for eight school districts as a result of the proposed legislation; however, those districts are currently contributing local funds in excess of the minimum required local match and the increased local match requirements mandated by this legislation do not exceed such current local contributions.
- However, future legislation which alters the BEP funding formula may result in local governments utilizing current excess local contributions to fund the minimum local match requirement and a combination of multiple such legislation may result in mandatory increases in local match requirements for certain school districts.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

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